

**BILL #** HB 2482

**TITLE:** CORP; return to work

**SPONSOR:** Chase

**STATUS:** As Amended by House APPROP (P)

**PREPARED BY:** Eric Jorgensen

## **FISCAL ANALYSIS**

### **Description**

HB 2482 allows members of the Correctional Officers Retirement Plan (CORP) who have “substantial, direct inmate contact” to return to employment at least 90 days after retirement and continue to receive their retirement benefit. These members would no longer pay into the CORP system, nor would their employer. No additional benefits would accrue.

### **Estimated Impact**

HB 2482 has no FY 2007 General Fund impact. This bill could generate an annual General Fund cost of as much as \$6.3 million in future years, based on FY 2007 salary levels.

### **Analysis**

Under the current system, if a CORP member retires and then returns to work, the member stops receiving a retirement benefit and both the employee and the employer make retirement contributions. HB 2482 would allow a member to return to work with a CORP employer and continue to receive retirement benefits. The employee receives a salary as well and does not make retirement contributions. The employer also saves money, because no contributions are made on the employee's behalf. Because no contributions are being made, no additional benefits are accrued.

According to the Fund Manager, factors such as employer policies make it difficult to estimate the cost of HB 2482. Due to the difficulty in estimating the cost, this bill would not cause a rate change in FY 2007, but could lead to an increase to the rate in future years as the system gathered more information about how this bill was implemented.

Actuaries under contract for CORP were unable to provide an estimate of the cost of this bill; however, the JLBC Staff requested an estimate of the cost if all eligible employees were to participate. Under this assumption, the contribution rate increase would be 174 basis points or 1.74%.

Contribution rates have 2 components. The first component is the normal cost, which is the permanent cost associated with providing the benefit. The second component is the unfunded liability. Unfunded liability is created in this case by changing the assumption of when a member will retire and represents the cost of providing benefits to recipients who did not pay for the benefits as part of the normal cost. Unfunded liability is generally paid over time (in CORP it is a 20 year period). Of the increase, 64 basis points are for the normal cost. The remaining 110 basis points pay the unfunded liability created by the bill.

This increase in the contribution rate would result in increased Employee Related Expenditures for agencies. In terms of FY 2007 Personal Services amounts, the total cost to the state of a 174 basis point increase in the CORP contribution rate would be \$6.3 million annually from the General Fund. This would not change employee contribution rates, as those rates are set in statute. This would increase the unfunded liability in the system by \$75.5 million, from \$33 million to \$109 million, dropping the funded ratio from 96.4% to 88.9%.

This bill, as amended, contains a 2-year sunset provision. If the provisions of this bill were to be repealed after 2 years, there would be no increase in the normal cost. There would, however, still be a cost associated with any unfunded liability incurred while the policy was in effect. The Fund Manager has no estimate of what these costs would be; however, after only 2 years the effect would likely be minimal.

### **Local Government Impact**

As with the state impact, there is no immediate cost, but there is likely to be some cost in the longer term. Assuming full participation in the program, these costs could be as high as \$2.1 million annually.

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